

ATTACHMENT 1

Special Access Issues

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Special Access: History

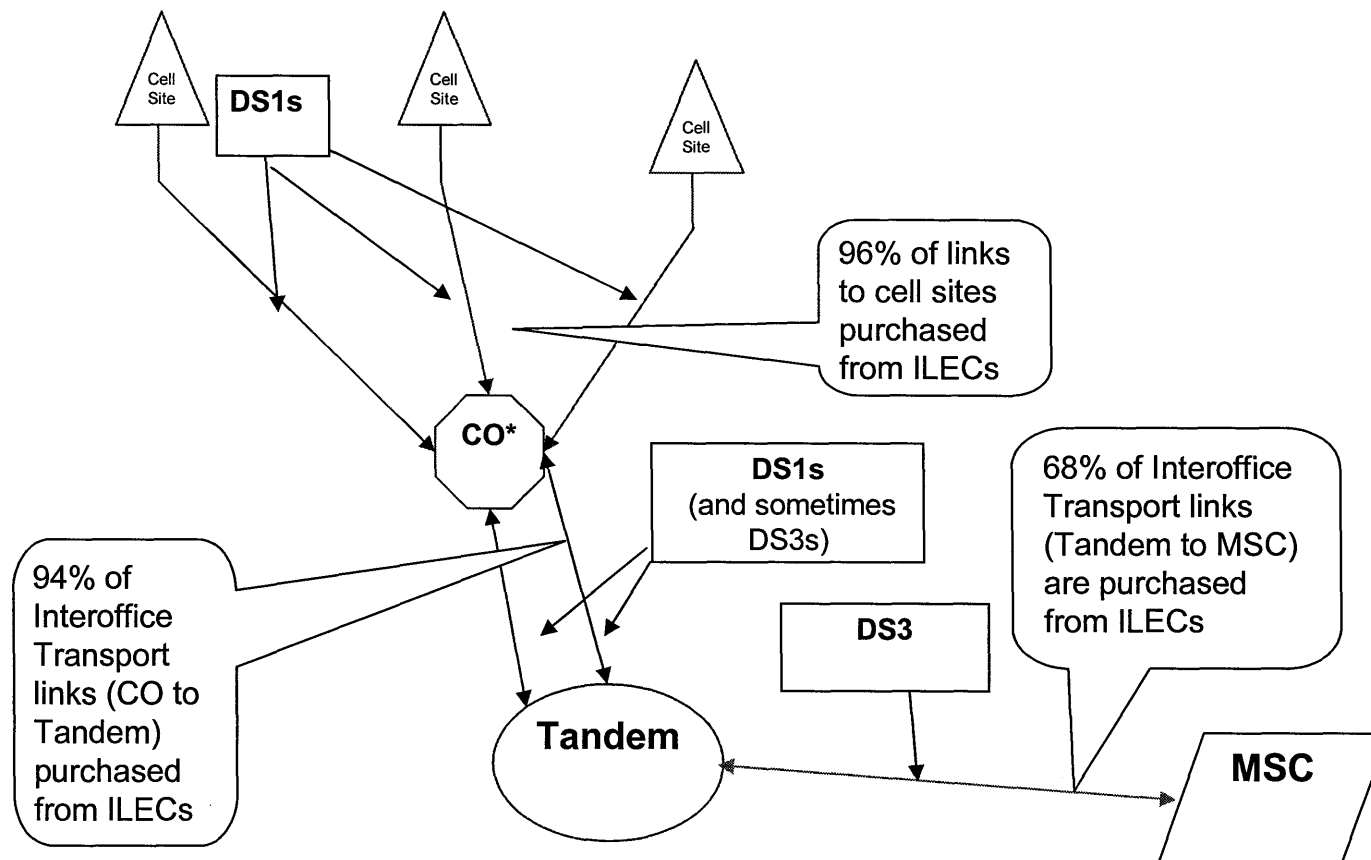
- Prior to 2001 RBOCs were required to operate under Price Cap Regulations at the federal level, which limited the profits a LEC could earn from interstate special access (dedicated line) revenues
- In 2001 the courts approved the 1999 Pricing Flexibility Order which established triggers for LECs to offer interstate special access services at unregulated rates
- LECs convinced the FCC that competitive requirements (triggers) have been met and, to date, over 200 MSAs (of 305 nationally) are operating under Pricing Flexibility allowing for unconstrained pricing

Special Access: History

- 10/2002 AT&T filed a petition requesting the Commission to revoke the Pricing Flexibility rules and roll back rates to Price Cap.
 - AT&T's petition also claims that the Order's triggers failed to predict price constraining competitive entry and such entry has not occurred.
- 06/2005 T-Mobile USA provided comments to the Commission's NPRM claiming that Pricing Flexibility did not stimulate new entry by suppliers of special access services and that T-Mobile has faced continued high prices from LECs.

Special Access: Why T-Mobile Cares

Illustrative Network Design



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Special Access: Why T-Mobile Cares

•Key T-Mobile Facts:

- 96% of "cell site to end office" links (special access DS1s) are purchased from incumbent wireline carriers
- 94% of "end office to tandem" links (special access DS1s and DS3s) are purchased from incumbent wireline carriers
- 68% of "tandem to mobile switch" links (special access DS3) are purchased from incumbent wireline carriers

Special Access: Why T-Mobile Cares

•Key Policy Facts:

- In areas where pricing flexibility has been granted to ILECs, special access prices have gone up, not down
 - Qwest + 62% between 2002 and 2005
 - SWB +27% between 2002 and 2005
 - Pac Bell +15% between 2002 and 2005
- Price-flex markets have DS1 rates that are 20% higher than price-capped markets today
- Special Access prices are usually 25%-200% higher than prices for equivalent cost-based UNEs
- ROI on special access of 37% in 2002, 43% in 2003 , and continues to climb

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Special Access: Why It Matters to NARUC

- NARUC members understand the potential problems posed by the bottleneck control of telecommunications facilities
- Pricing of bottleneck special access facilities impact the cost of providing wireless service, which in turn affects:
 - The price paid by consumers
 - The ability to expand and improve wireless coverage
 - The quality of wireless service
- NARUC members are in a good position to evaluate the actual competition for special access services

Special Access: What NARUC Can Do

- Be aware of the issues related to competition in special access markets
- Understand that special access issues affect customers in your states, both in terms of price and in terms of quality of service
- Determine how special access competition should be measured
- Investigate whether special access markets are sufficiently competitive to warrant price deregulation
- Discover whether there are special access provisioning issues that affect competitors

What To Remember:

If you smell smoke,
it's a good idea to find out
if there is a fire burning!

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Thank you!

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